

# EXHIBIT C

**EXECUTION COPY**

---

**SECOND AMENDED AND RESTATED MORTGAGE LOAN PURCHASE  
AND WARRANTIES AGREEMENT**

---

**MORGAN STANLEY MORTGAGE CAPITAL INC.,**

**Purchaser**

**FREMONT INVESTMENT & LOAN,**

**Seller**

---

**Dated as of November 1, 2006**

**Conventional,  
Fixed and Adjustable Rate, Subprime Residential Mortgage Loans**

---

## TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. DEFINITIONS .....	1
SECTION 2. AGREEMENT TO PURCHASE .....	13
SECTION 3. MORTGAGE SCHEDULES .....	13
SECTION 4. PURCHASE PRICE .....	14
SECTION 5. EXAMINATION OF MORTGAGE FILES .....	14
SECTION 6. CONVEYANCE FROM SELLER TO PURCHASER .....	15
Subsection 6.01 Conveyance of Mortgage Loans; Possession of Servicing Files .....	15
Subsection 6.02 Books and Records .....	15
Subsection 6.03 Delivery of Mortgage Loan Documents .....	16
Subsection 6.04 Quality Control Procedures .....	17
Subsection 6.05 MERS Designated Mortgage Loans .....	17
SECTION 7. SERVICING OF THE MORTGAGE LOANS .....	17
SECTION 8. TRANSFER OF SERVICING .....	18
SECTION 9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SELLER; REMEDIES FOR BREACH .....	20
Subsection 9.01 Representations and Warranties Regarding the Seller .....	20
Subsection 9.02 Representations and Warranties Regarding Individual Mortgage Loans .....	23
Subsection 9.03 Remedies for Breach of Representations and Warranties .....	37
Subsection 9.04 Repurchase of Certain Mortgage Loans That Prepay in Full .....	40
Subsection 9.05 Repurchase of Mortgage Loans With First Payment Defaults .....	40
SECTION 10. CLOSING .....	41
SECTION 11. CLOSING DOCUMENTS .....	41
SECTION 12. COSTS .....	42

SECTION 13.	COOPERATION OF SELLER WITH A RECONSTITUTION.	43
SECTION 14.	THE SELLER.	45
Subsection 14.01	Additional Indemnification by the Seller; Third Party Claims.	45
Subsection 14.02	Merger or Consolidation of the Seller.	46
SECTION 15.	FINANCIAL STATEMENTS.	46
SECTION 16.	MANDATORY DELIVERY; GRANT OF SECURITY INTEREST.	46
SECTION 17.	NOTICES.	47
SECTION 18.	SEVERABILITY CLAUSE.	48
SECTION 19.	COUNTERPARTS.	48
SECTION 20.	GOVERNING LAW.	48
SECTION 21.	INTENTION OF THE PARTIES.	48
SECTION 22.	SUCCESSORS AND ASSIGNS; ASSIGNMENT OF PURCHASE AGREEMENT.	48
SECTION 23.	WAIVERS.	49
SECTION 24.	EXHIBITS.	49
SECTION 25.	GENERAL INTERPRETIVE PRINCIPLES.	49
SECTION 26.	REPRODUCTION OF DOCUMENTS.	50
SECTION 27.	FURTHER AGREEMENTS.	50
SECTION 28.	RECORDATION OF ASSIGNMENTS OF MORTGAGE.	50
SECTION 29.	NO SOLICITATION.	50
SECTION 30.	WAIVER OF TRIAL BY JURY.	51
SECTION 31.	SUBMISSION TO JURISDICTION; WAIVERS.	51
SECTION 32.	COMPLIANCE WITH REGULATION AB.	51
Subsection 32.01	Intent of the Parties; Reasonableness.	51
Subsection 32.02	Additional Representations and Warranties of the Seller.	52
Subsection 32.03	Information to Be Provided by the Seller.	53

Subsection 32.04 Indemnification; Remedies.....	55
SECTION 33. CONFIDENTIALITY.....	57

**EXHIBITS**

- EXHIBIT A CONTENTS OF EACH MORTGAGE FILE**
- EXHIBIT B INDEMNIFICATION AND CONTRIBUTION AGREEMENT**
- EXHIBIT C FORM OF SELLER'S OFFICER'S CERTIFICATE**
- EXHIBIT D FORM OF OPINION OF COUNSEL TO THE SELLER**
- EXHIBIT E FORM OF SECURITY RELEASE CERTIFICATION**
- EXHIBIT F FORM OF SECURITY RELEASE CERTIFICATION**
- EXHIBIT G FORM OF ASSIGNMENT AND CONVEYANCE**
- EXHIBIT H UNDERWRITING GUIDELINES**
- EXHIBIT I FORM OF ASSIGNMENT AND RECOGNITION AGREEMENT**

**SECOND AMENDED AND RESTATED MORTGAGE LOAN PURCHASE  
AND WARRANTIES AGREEMENT**

This SECOND AMENDED AND RESTATED MORTGAGE LOAN PURCHASE AND WARRANTIES AGREEMENT (the "Agreement"), dated as of November 1, 2006, by and between Morgan Stanley Mortgage Capital Inc., a New York corporation, having an office at 1585 Broadway, 2<sup>nd</sup> Floor, New York, New York 10036 (the "Purchaser"), and Fremont Investment & Loan, a California industrial bank, having an office at 2727 East Imperial Highway, Brea, California 92821 (the "Seller").

**W I T N E S S E T H:**

WHEREAS, the Purchaser and the Seller are parties to that certain First Amended and Restated Mortgage Loan Purchase and Warranties Agreement, dated as of August 1, 2005 (the "First Amended Purchase Agreement"), pursuant to which the Seller desires to sell, from time to time, to the Purchaser, and the Purchaser desires to purchase, from time to time, from the Seller, certain first and second lien, adjustable-rate and fixed-rate subprime residential mortgage loans (the "Mortgage Loans") on a servicing released basis as described herein, and which shall be delivered in pools of whole loans (each, a "Mortgage Loan Package") on various dates as provided herein (each, a "Closing Date"); and

WHEREAS, at the present time, the Purchaser and the Seller desire to amend the First Amended Purchase Agreement to make certain modifications as set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Purchaser and the Seller agree as follows:

**SECTION 1. Definitions.**

For purposes of this Agreement the following capitalized terms shall have the respective meanings set forth below.

**Accepted Servicing Practices:** With respect to any Mortgage Loan those mortgage servicing practices of prudent mortgage lending institutions which service mortgage loans of the same type as such Mortgage Loan in the jurisdiction where the related Mortgaged Property is located and incorporating the Delinquency Collection Policies and Procedures.

**Act:** The National Housing Act, as amended from time to time.

**Adjustable Rate Mortgage Loan:** An adjustable rate Mortgage Loan purchased pursuant to this Agreement.

**Affiliate:** With respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this

definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Agreement: This Second Amended and Restated Mortgage Loan Purchase and Warranties Agreement, and all amendments hereof and supplements hereto.

ALTA: The American Land Title Association or any successor thereto.

Appraised Value: The value of the related Mortgaged Property based upon the appraisal made in connection with the origination of the related Mortgage Loan or the sales price of the related Mortgaged Property at such time of origination, whichever is less.

Assignment and Conveyance: As defined in Subsection 6.01.

Assignment of Mortgage: An assignment of the Mortgage, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the sale of the Mortgage to the Purchaser.

Balloon Mortgage Loan: Any Mortgage Loan (a) that requires only payments of interest until the stated maturity date of the Mortgage Loan or (b) for which Monthly Payments of principal (not including the payment due on its stated maturity date) are based on an amortization schedule that would be insufficient to fully amortize the principal thereof by the stated maturity date of the Mortgage Loan.

Business Day: Any day other than (i) a Saturday or Sunday, or (ii) a day on which banking and savings and loan institutions in (a) the State of New York, (b) the states in which the Seller's servicing operations are located or (c) the state in which the Custodian's operations are located, are authorized or obligated by law or executive order to be closed.

Certification: A final certification as to each Mortgage Loan, which Certification is delivered to the Purchaser by the Custodian in the form annexed to the Custodial Agreement.

Closing Date: The date or dates on which the Purchaser from time to time shall purchase and the Seller from time to time shall sell, the Mortgage Loans listed on the related Mortgage Loan Schedule with respect to the related Mortgage Loan Package. The Closing Dates for each Mortgage Loan Package shall be as respectively set forth on the related Mortgage Loan Schedule.

CLTV: As of any date and as to any Second Lien Loan, the ratio, expressed as a percentage, of the (a) sum of (i) the outstanding principal balance of the Second Lien Loan and (ii) the outstanding principal balance as of such date of any mortgage loan or mortgage loans that are senior or equal in priority to the Second Lien Loan and which are secured by the same Mortgaged Property to (b) the Appraised Value as determined pursuant to the Underwriting Guidelines of the related Mortgaged Property as of the origination of the Second Lien Loan.

Code: Internal Revenue Code of 1986, as amended.

**Commission:** The United States Securities and Exchange Commission.

**Condemnation Proceeds:** All awards or settlements in respect of a Mortgaged Property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation, to the extent not required to be released to a Mortgagor in accordance with the terms of the related Mortgage Loan Documents.

**Convertible Mortgage Loan:** Any individual Adjustable Rate Mortgage Loan purchased pursuant to this Agreement which contains a provision whereby the Mortgagor is permitted to convert the Adjustable Rate Mortgage Loan to a Fixed Rate Mortgage Loan in accordance with the terms of the related Mortgage Note.

**Covered Loan:** A Mortgage Loan categorized as Covered pursuant to Appendix E of Standard & Poor's Glossary.

**Custodial Account:** The separate trust account created and maintained pursuant to Subsection 2.04 of the Interim Servicing Agreement (with respect to each Mortgage Loan, as specified therein).

**Custodial Agreement:** The Custodial Agreement, dated as of December 1, 2004, as amended by Amendment No. 1, dated as of May 2, 2005, each between the Purchaser and the Custodian, which governs the retention of the originals of each Mortgage Note, Mortgage, Assignment of Mortgage and other Mortgage Loan Documents.

**Custodian:** Wells Fargo Bank, National Association, or its successor in interest or permitted assigns, or any successor to the Custodian under the Custodial Agreement as therein provided.

**Cut-off Date:** The first day of the month in which the related Closing Date occurs.

**Deemed Material and Adverse Representation:** Each representation and warranty identified as such in Subsection 9.02 of this Agreement.

**Deleted Mortgage Loan:** A Mortgage Loan that is repurchased or replaced or to be replaced with a Qualified Substitute Mortgage Loan by the Seller in accordance with the terms of this Agreement.

**Depositor:** The depositor, as such term is defined in Regulation AB, with respect to any Securitization Transaction.

**Due Date:** The day of the month on which the Monthly Payment is due on a Mortgage Loan, exclusive of any days of grace.

**Escrow Payments:** With respect to any Mortgage Loan, the amounts constituting ground rents, taxes, assessments, water rates, sewer rents, municipal charges, mortgage insurance premiums, fire and hazard insurance premiums, condominium charges, and any other payments

required to be escrowed by the Mortgagor with the mortgagee pursuant to the Mortgage or any other document.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Fannie Mae: The Federal National Mortgage Association, or any successor thereto.

Fannie Mae Guides: The Fannie Mae Sellers' Guide and the Fannie Mae Servicers' Guide and all amendments or additions thereto.

FDIC: The Federal Deposit Insurance Corporation, or any successor thereto.

FHA: The Federal Housing Administration, an agency within the United States Department of Housing and Urban Development, or any successor thereto and including the Federal Housing Commissioner and the Secretary of Housing and Urban Development where appropriate under the FHA Regulations.

First Lien Loan: A Mortgage Loan secured by a first lien Mortgage on the related Mortgaged Property.

Fitch: Fitch, Inc., or its successor in interest.

Fixed Rate Mortgage Loan: A fixed rate mortgage loan purchased pursuant to this Agreement.

Freddie Mac: The Federal Home Loan Mortgage Corporation, or any successor thereto.

Gross Margin: With respect to each Adjustable Rate Mortgage Loan, the fixed percentage amount set forth in the related Mortgage Note which amount is added to the Index in accordance with the terms of the related Mortgage Note to determine on each Interest Rate Adjustment Date the Mortgage Interest Rate for such Mortgage Loan.

High Cost Loan: A Mortgage Loan (a) with an "annual percentage rate" or total "points and fees" payable by the related Mortgagor (as each such term is calculated under the Home Ownership and Equity Protection Act of 1994 ("HOEPA")) that exceed the thresholds set forth by HOEPA and its implementing regulations, including 12 C.F.R. § 226.32(a)(1)(i) and (ii) (without regard to any exclusions set forth therein), (b) classified as a "high cost home," "threshold," "covered," (excluding New Jersey "Covered Home Loans" as that term was defined in clause (1) of the definition of that term in the New Jersey Home Ownership Security Act of 2002 that were originated between November 26, 2003 and July 7, 2004) "high risk home," "predatory" or similar loan under any other applicable state, federal or local law (or a similarly classified loan using different terminology under a law imposing heightened regulatory scrutiny or additional legal liability for residential mortgage loans having high interest rates, points and/or fees) or (c) categorized as High Cost pursuant to Appendix E of Standard & Poor's Glossary. For avoidance of doubt, the parties agree that this definition shall apply to any law regardless of

whether such law is presently, or in the future becomes, the subject of judicial review or litigation.

Home Loan: A Mortgage Loan categorized as Home Loan pursuant to Appendix E of Standard & Poor's Glossary.

HUD: The Department of Housing and Urban Development, or any federal agency or official thereof which may from time to time succeed to the functions thereof with regard to FHA Mortgage Insurance. The term "HUD" for purposes of this Agreement, is also deemed to include subdivisions thereof such as the FHA and Government National Mortgage Association.

Index: With respect to each Adjustable Rate Mortgage Loan, a rate per annum set forth on the related Mortgage Loan Schedule.

Insurance Proceeds: With respect to each Mortgage Loan, proceeds of insurance policies insuring the Mortgage Loan or the related Mortgaged Property.

Interest Rate Adjustment Date: With respect to each Adjustable Rate Mortgage Loan, the date, specified in the related Mortgage Note and the related Mortgage Loan Schedule, on which the Mortgage Interest Rate is adjusted.

Interim Funder: With respect to each MERS Designated Mortgage Loan, the Person named on the MERS System as the interim funder pursuant to the MERS Procedures Manual.

Interim Servicer: The servicer under the Interim Servicing Agreement, or its successor in interest or assigns, or any successor to the Interim Servicer under the Interim Servicing Agreement, as therein provided.

Interim Servicing Agreement: The agreement to be entered into by the Purchaser and the Interim Servicer, providing for the Interim Servicer to service the Mortgage Loans as specified by the Interim Servicing Agreement.

Investor: With respect to each MERS Designated Mortgage Loan, the Person named on the MERS System as the investor pursuant to the MERS Procedures Manual.

Lifetime Rate Cap: The provision of each Mortgage Note related to an Adjustable Rate Mortgage Loan which provides for an absolute maximum Mortgage Interest Rate thereunder. The Mortgage Interest Rate during the terms of each Adjustable Rate Mortgage Loan shall not at any time exceed the Mortgage Interest Rate at the time of origination of such Adjustable Rate Mortgage Loan by more than the amount per annum set forth on the related Mortgage Loan Schedule.

Liquidation Proceeds: Cash received in connection with the liquidation of a defaulted Mortgage Loan, whether through the sale or assignment of such Mortgage Loan, trustee's sale, foreclosure sale or otherwise or the sale of the related Mortgaged Property if the Mortgaged Property is acquired in satisfaction of the Mortgage Loan.

**Loan-to-Value Ratio or LTV:** With respect to any Mortgage Loan, the ratio (expressed as a percentage) of the outstanding principal amount of the Mortgage Loan as of the Cut-off Date (unless otherwise indicated), to the lesser of (a) the Appraised Value of the Mortgaged Property at origination and (b) if the Mortgage Loan was made to finance the acquisition of the related Mortgaged Property, the purchase price of the Mortgaged Property.

**Manufactured Home:** A single family residential unit that is constructed in a factory in sections in accordance with the Federal Manufactured Home Construction and Safety Standards adopted on July 15, 1976, by the Department of Housing and Urban Development ("HUD Code"), as amended in 2000, which preempts state and local building codes. Each unit is identified by the presence of a HUD Plate/Compliance Certificate label. The sections are then transported to the site and joined together and affixed to a pre-built permanent foundation (which satisfies the manufacturer's requirements and all state, county, and local building codes and regulations). The manufactured home is built on a non-removable, permanent frame chassis that supports the complete unit of walls, floors, and roof. The underneath part of the home may have running gear (wheels, axles, and brakes) that enable it to be transported to the permanent site. The wheels and hitch are removed prior to anchoring the unit to the permanent foundation. The manufactured home must be classified as real estate and taxed accordingly. The permanent foundation may be on land owned by the mortgager or may be on leased land.

**MERS:** Mortgage Electronic Registration Systems, Inc., a Delaware corporation, and its successors in interest.

**MERS Designated Mortgage Loan:** Mortgage Loans for which (a) the Seller has designated or will designate MERS as, and has taken or will take such action as is necessary to cause MERS to be, the mortgagee of record, as nominee for the Seller, in accordance with the MERS Procedures Manual and (b) the Seller has designated or will designate the Purchaser as the Investor on the MERS System.

**MERS Identification Number:** The eighteen digit number permanently assigned to each MERS Designated Mortgage Loan.

**MERS Procedures Manual:** The MERS Procedures Manual, as it may be amended, supplemented or otherwise modified from time to time.

**MERS Report:** The report from the MERS System listing MERS Designated Mortgage Loans and other information.

**MERS System:** MERS mortgage electronic registry system, as more particularly described in the MERS Procedures Manual.

**Monthly Payment:** The scheduled monthly payment of principal and interest on a Mortgage Loan.

**Moody's:** Moody's Investors Service, Inc., and any successor thereto.

**Mortgage:** The mortgage, deed of trust or other instrument securing a Mortgage Note, which creates a first lien in the case of a First Lien Loan, or a second lien, in the case of a

Second Lien Loan, on the Mortgaged Property on an unsubordinated estate in fee simple in real property securing the Mortgage Note; except that with respect to real property located in jurisdictions in which the use of leasehold estates for residential properties is a widely-accepted practice, the mortgage, deed of trust or other instrument securing the Mortgage Note may secure and create a first lien upon a leasehold estate of the Mortgagor.

Mortgage File: The items pertaining to a particular Mortgage Loan referred to in Exhibit A annexed hereto, and any additional documents required to be added to the Mortgage File pursuant to this Agreement.

Mortgage Interest Rate: The annual rate of interest borne on a Mortgage Note with respect to each Mortgage Loan.

Mortgage Interest Rate Cap: With respect to an Adjustable Rate Mortgage Loan, the limit on each Mortgage Interest Rate adjustment as set forth in the related Mortgage Note.

Mortgage Loan: An individual Mortgage Loan which is the subject of this Agreement, each Mortgage Loan originally sold and subject to this Agreement being identified on the applicable Mortgage Loan Schedule, which Mortgage Loan includes without limitation the Mortgage File, the Monthly Payments, Principal Prepayments, Liquidation Proceeds, Condemnation Proceeds, Insurance Proceeds, Servicing Rights and all other rights, benefits, proceeds and obligations arising from or in connection with such Mortgage Loan, excluding replaced or repurchased mortgage loans.

Mortgage Loan Documents: The documents required to be delivered to the Custodian pursuant to Section 6.03 hereof with respect to any Mortgage Loan.

Mortgage Loan Package: Each pool of Mortgage Loans, which shall be purchased by the Purchaser from the Seller from time to time on each Closing Date.

Mortgage Loan Schedule: The schedule of Mortgage Loans setting forth the following information with respect to each Mortgage Loan in the related Mortgage Loan Package: (1) the Seller's Mortgage Loan identifying number; (2) the Mortgagor's first and last name; (3) the street address of the Mortgaged Property including the city, state and zip code; (4) [reserved]; (5) a code indicating whether the Mortgagor is self-employed; (6) a code indicating whether the Mortgaged Property is owner-occupied; (6) the number and type of residential units constituting the Mortgaged Property; (7) the original months to maturity or the remaining months to maturity from the related Cut-off Date, in any case based on the original amortization schedule and, if different, the maturity expressed in the same manner but based on the actual amortization schedule; (8) with respect to each First Lien Loan, the Loan-to-Value Ratio at origination, and with respect to each Second Lien Loan, the CLTV at origination; (9) the Mortgage Interest Rate as of the related Cut-off Date; (10) the date on which the Monthly Payment was due on the Mortgage Loan and, if such date is not consistent with the Due Date currently in effect, such Due Date; (11) the stated maturity date; (12) the first payment date; (13) the amount of the Monthly Payment as of the related Cut-off Date; (14) the last payment date on which a payment was actually applied to the outstanding principal balance; (15) the original principal amount of the Mortgage Loan; (16) the principal balance of the Mortgage Loan as of the close of business on

the related Cut-off Date, after deduction of payments of principal due and collected on or before the related Cut-off Date; (17) delinquency status as of the related Cut-off Date; (18) with respect to each Adjustable Rate Mortgage Loan, the first Interest Rate Adjustment Date; (19) with respect to each Adjustable Rate Mortgage Loan, the Gross Margin; (20) with respect to each Adjustable Rate Mortgage Loan, the Lifetime Rate Cap under the terms of the Mortgage Note; (21) with respect to each Adjustable Rate Mortgage Loan, a code indicating the type of Index; (22) the type of Mortgage Loan (i.e., Fixed or Adjustable Rate Mortgage Loan, First or Second Lien Loan) and with respect to each Second Lien Loan, the product type of the related First Lien Loan; (23) a code indicating the purpose of the loan (i.e., purchase, rate and term refinance, equity take-out refinance); (24) a code indicating the documentation style (i.e., full, alternative or reduced); (25) [reserved]; (26) the loan credit classification (as described in the Underwriting Guidelines); (27) whether such Mortgage Loan provides for a Prepayment Penalty and, if applicable, the Prepayment Penalty period; (28) a description of the Prepayment Penalty, if applicable; (29) the Mortgage Interest Rate as of origination; (30) the credit risk score (FICO score); (31) the date of origination; (32) with respect to Adjustable Rate Mortgage Loans, the Mortgage Interest Rate adjustment period; (33) with respect to each Adjustable Rate Mortgage Loan, the Mortgage Interest Rate adjustment percentage; (34) with respect to each Adjustable Rate Mortgage Loan, the Mortgage Interest Rate floor; (35) with respect to each Adjustable Rate Mortgage Loan, the Mortgage Interest Rate Cap as of the first Interest Rate Adjustment Date; (36) with respect to each Adjustable Rate Mortgage Loan, the Periodic Rate Cap subsequent to the first Interest Rate Adjustment Date; (37) [reserved]; (38) [reserved]; (39) [reserved]; (40) a code indicating whether the Mortgage Loan is a Balloon Mortgage Loan; (41) the Due Date for the first Monthly Payment; (42) the original Monthly Payment due; (43) a code indicating the PMI Policy provider and percentage of coverage, if applicable; (44) Appraised Value; (45) [reserved]; (46) [reserved]; (47) appraisal date; (48) with respect to the related Mortgagor, the debt-to-income ratio; (49) the MERS Identification Number, if applicable; and (50) whether the Mortgage Loan has Monthly Payments that are interest-only for a period of time, and the interest-only period, if applicable (and with respect to each Second Lien Loan, whether the related First Lien Loan has monthly payments that are interest-only for a period of time, and the interest-only period, if applicable). With respect to the Mortgage Loans in the aggregate, the Mortgage Loan Schedule shall set forth the following information, as of the related Cut-off Date: (1) the number of Mortgage Loans; (2) the current aggregate outstanding principal balance of the Mortgage Loans; (3) the weighted average Mortgage Interest Rate of the Mortgage Loans; (4) the weighted average maturity of the Mortgage Loans; (5) the applicable Cut-off Date; and (6) the applicable Closing Date.

**Mortgage Note:** The note or other evidence of the indebtedness of a Mortgagor secured by a Mortgage.

**Mortgaged Property:** With respect to each Mortgage Loan, the real property (or leasehold estate, if applicable) securing repayment of the debt evidenced by the related Mortgage Note.

**Mortgagor:** The obligor on a Mortgage Note.

**OCC:** Office of the Comptroller of the Currency, and any successor thereto.

**Officer's Certificate:** A certificate signed by the Chairman of the Board or the Vice Chairman of the Board or a President or a Vice President and by the Treasurer or the Secretary or one of the Assistant Treasurers or Assistant Secretaries of the Seller, and delivered to the Purchaser as required by this Agreement.

**Opinion of Counsel:** A written opinion of counsel, who may be counsel for the Seller, reasonably acceptable to the Purchaser, provided that any Opinion of Counsel relating to (a) the qualification of any account required to be maintained pursuant to this Agreement as an Eligible Account, (b) qualification of the Mortgage Loans in a REMIC or (c) compliance with the REMIC Provisions, must be (unless otherwise stated in such Opinion of Counsel) an opinion of counsel who (i) is in fact independent of the Seller and any master servicer of the Mortgage Loans, (ii) does not have any material direct or indirect financial interest in the Seller or any master servicer of the Mortgage Loans or in an Affiliate of either and (iii) is not connected with the Seller or any master servicer of the Mortgage Loans as an officer, employee, director or person performing similar functions.

**OTS:** Office of Thrift Supervision, and any successor thereto.

**Periodic Rate Cap:** With respect to each Adjustable Rate Mortgage Loan, the provision of each Mortgage Note which provides for an absolute maximum amount by which the Mortgage Interest Rate therein may increase or decrease on an Interest Rate Adjustment Date above or below the Mortgage Interest Rate previously in effect. The Periodic Rate Cap for each Adjustable Rate Mortgage Loan is the rate set forth on the related Mortgage Loan Schedule.

**Periodic Rate Floor:** With respect to each Adjustable Rate Mortgage Loan, the provision of each Mortgage Note which provides for an absolute maximum amount by which the Mortgage Interest Rate therein may decrease on an Interest Rate Adjustment Date below the Mortgage Interest Rate previously in effect.

**Person:** Any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof.

**PMI Policy:** A policy of primary mortgage guaranty insurance issued by an insurer acceptable under the Underwriting Guidelines and qualified to do business in the jurisdiction where the Mortgaged Property is located.

**Preliminary Mortgage Schedule:** As defined in Section 3.

**Prepayment Penalty:** With respect to each Mortgage Loan, the penalty if the Mortgagor prepays such Mortgage Loan as provided in the related Mortgage Note or Mortgage.

**Principal Prepayment:** Any payment or other recovery of principal on a Mortgage Loan which is received in advance of its scheduled Due Date, including any Prepayment Penalty or premium thereon and which is not accompanied by an amount of interest representing scheduled interest due on any date or dates in any month or months subsequent to the month of prepayment.

**Purchase Price:** The price paid on the related Closing Date by the Purchaser to the Seller in exchange for the Mortgage Loans purchased on such Closing Date as calculated in Section 4 of this Agreement.

**Purchase Price and Terms Letter:** Those certain letter agreements setting forth the general terms and conditions of the transactions consummated herein and identifying the Mortgage Loans to be purchased from time to time hereunder, by and between the Seller and the Purchaser. All of the individual Purchase Price and Terms Letters (if there are more than one) shall collectively be referred to as the "Purchase Price and Terms Letter."

**Purchaser:** Morgan Stanley Mortgage Capital Inc., a New York corporation, and its successors in interest and assigns, or any successor to the Purchaser under this Agreement as herein provided.

**Qualified Appraiser:** An appraiser, duly appointed by the Seller, who had no interest, direct or indirect in the Mortgaged Property or in any loan made on the security thereof, and whose compensation was not affected by the approval or disapproval of the Mortgage Loan, and such appraiser and the appraisal made by such appraiser both satisfied the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and the regulations promulgated thereunder, all as in effect on the date the Mortgage Loan was originated.

**Qualified Correspondent:** Any Person from which the Seller purchased Mortgage Loans, provided that the following conditions are satisfied: (i) such Mortgage Loans were originated pursuant to an agreement between the Seller and such Person that contemplated that such Person would underwrite mortgage loans from time to time, for sale to the Seller, in accordance with underwriting guidelines designated by the Seller ("Designated Guidelines") or guidelines that do not vary materially from such Designated Guidelines; (ii) such Mortgage Loans were in fact underwritten as described in clause (i) above and were acquired by the Seller within one hundred eighty (180) days after origination; (iii) either (x) the Designated Guidelines were, at the time such Mortgage Loans were originated, used by the Seller in origination of mortgage loans of the same type as the Mortgage Loans for the Seller's own account or (y) the Designated Guidelines were, at the time such Mortgage Loans were underwritten, designated by the Seller on a consistent basis for use by lenders in originating mortgage loans to be purchased by the Seller; and (iv) the Seller employed, at the time such Mortgage Loans were acquired by the Seller, pre-purchase or post-purchase quality assurance procedures (which may involve, among other things, review of a sample of mortgage loans purchased during a particular time period or through particular channels) designed to ensure that Persons from which it purchased mortgage loans properly applied the underwriting criteria designated by the Seller.

**Qualified Substitute Mortgage Loan:** A mortgage loan eligible to be substituted by the Seller for a Deleted Mortgage Loan which must, on the date of such substitution, (i) have an outstanding principal balance, after deduction of all scheduled payments due in the month of substitution (or in the case of a substitution of more than one mortgage loan for a Deleted Mortgage Loan, an aggregate principal balance), not in excess of the outstanding principal balance of the Deleted Mortgage Loan (the amount of any shortfall will be deposited in the Custodial Account by the Seller in the month of substitution); (ii) have a Mortgage Interest Rate

not less than and not more than 1% greater than the Mortgage Interest Rate of the Deleted Mortgage Loan; (iii) have a remaining term to maturity not greater than and not more than one year less than that of the Deleted Mortgage Loan; (iv) be of the same type as the Deleted Mortgage Loan (i.e., fixed rate or adjustable rate with same Mortgage Interest Rate Caps); and (v) comply with each representation and warranty (respecting individual Mortgage Loans) set forth in Section 9.

Rating Agency: Any of Fitch, Moody's or Standard & Poor's, or their respective successors designated by the Purchaser.

Reconstitution: A Whole Loan Transfer or a Securitization Transaction.

Reconstitution Agreements: The agreement or agreements entered into by the Seller and the Purchaser and/or certain third parties on the Reconstitution Date or Dates with respect to any or all of the Mortgage Loans sold hereunder, in connection with a Whole Loan Transfer or a Securitization Transaction pursuant to Section 13.

Reconstitution Date: As defined in Section 13.

Regulation AB: Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123, as such may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Commission in the adopting release (Asset-Backed Securities, Securities Act Release No. 33-8518, 70 Fed. Reg. 1506-1631 (Jan. 7, 2005)) or by the staff of the Commission, or as may be provided by the Commission or its staff from time to time.

Relief Act: The Servicemembers' Civil Relief Act.

REMIC: A "real estate mortgage investment conduit" within the meaning of Section 860D of the Code.

REMIC Provisions: Provisions of the federal income tax law relating to a REMIC, which appear at Section 860A through 860G of Subchapter M of Chapter 1, Subtitle A of the Code, and related provisions and regulations, rulings or pronouncements promulgated thereunder, as the foregoing may be in effect from time to time.

Remittance Date: The date specified in the Interim Servicing Agreement (with respect to each Mortgage Loan, as specified therein).

Repurchase Price: As defined in the related Purchase Price and Terms Letter.

RESPA: Real Estate Settlement Procedures Act, as amended from time to time.

Second Lien Loan: A Mortgage Loan secured by a second lien Mortgage on the related Mortgaged Property.

Securities Act: The Securities Act of 1933, as amended.

**Securitization Transaction:** Any transaction involving either (1) a sale or other transfer of some or all of the Mortgage Loans directly or indirectly to an issuing entity in connection with an issuance of publicly offered or privately placed, rated or unrated mortgage-backed securities or (2) an issuance of publicly offered or privately placed, rated or unrated securities, the payments on which are determined primarily by reference to one or more portfolios of residential mortgage loans consisting, in whole or in part, of some or all of the Mortgage Loans.

**Seller:** Fremont Investment & Loan, a California industrial bank, its successors in interest and assigns.

**Seller Information:** As defined in Subsection 32.04(a).

**Servicing Fee:** With respect to each Mortgage Loan subject to the Interim Servicing Agreement, a fee payable monthly equal to one-twelfth of the product of (a) the Servicing Fee Rate and (b) the outstanding principal balance of such Mortgage Loan. Such fee shall be payable monthly and shall be pro-rated for any portion of a month during which the Mortgage Loan is serviced by the Interim Servicer under the Interim Servicing Agreement. The obligation of the Purchaser to pay the Servicing Fee is limited to, and the Servicing Fee is payable solely from, the interest portion (including recoveries with respect to interest from Liquidation Proceeds, to the extent permitted by this Agreement) of such Monthly Payment collected by the Interim Servicer, or as otherwise provided under this Agreement.

**Servicing Fee Rate:** An amount per annum as set forth in the Interim Servicing Agreement.

**Servicing File:** With respect to each Mortgage Loan, the file retained by the Seller consisting of originals of all documents in the Mortgage File which are not delivered to the Purchaser or the Custodian and copies of the Mortgage Loan Documents.

**Servicing Rights:** Any and all of the following: (a) any and all rights to service the Mortgage Loans; (b) any payments to or monies received by the Seller for servicing the Mortgage Loans; (c) any late fees, penalties or similar payments with respect to the Mortgage Loans; (d) all agreements or documents creating, defining or evidencing any such servicing rights to the extent they relate to such servicing rights and all rights of the Seller thereunder; (e) Escrow Payments or other similar payments with respect to the Mortgage Loans and any amounts actually collected by the Seller with respect thereto; (f) all accounts and other rights to payment related to any of the property described in this paragraph; and (g) any and all documents, files, records, servicing files, servicing documents, servicing records, data tapes, computer records, or other information pertaining to the Mortgage Loans or pertaining to the past, present or prospective servicing of the Mortgage Loans.

**Sponsor:** The sponsor, as such term is defined in Regulation AB, with respect to any Securitization Transaction.

**Standard & Poor's:** Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc., and any successor thereto.